

## ACCOUNTING II TERMINOLOGY

Standard	Objective	Term	Definition
1	1	Accounting	Planning, recording, analyzing, and interpreting financial information
1	1	Accounting System	A planned process for providing financial information that will be useful to management
1	2	G.A.A.P. (Generally Accepted Accounting Principles)	The standards and rules to follow while recording and reporting financial activities
1	5	Business Ethics	The use of ethics in making business decisions—ethics: The principles of right and wrong that guide an individual in making decisions
1	6	Corporation	An organization with the legal rights of a person and which may be owned by many persons
1	7	Merchandising Business	A business that purchases and sells goods
1	7	Manufacturing Business	A business that produces and sells goods
2	1	Payroll	The total amount earned by all employees for a pay period
2	1	Pay Period	The period covered by a salary payment
2	1a	Salary	The money paid for employee services
2	1a	Piece Rate	A pay rate when employees are paid on the number of 'units' they produce
2	1a	Hourly Rate	The amount paid to an employee for each hour of services
2	1a	Commission	A form of payment when employee is paid a percentage of sales.
2	1a	Gross Pay (Total Earnings)	The total pay due for a pay period before deductions
2	1b	Payroll Deductions	The amount withheld from employee earnings to pay for taxes and other withholdings
2	1b	Federal Income Tax	A tax levied on the income of individuals and/or corporations
2	1b	Social Security Tax	A federal tax paid for old-age, survivors, and disability insurance
2	1b	Medicare Tax	A federal tax paid for hospital insurance
2	1b	State Income Tax	A state tax levied on the income of individuals
2		Net Pay	The total earnings paid to an employee after payroll taxes and other deductions
2	1c	Employer's Payroll Taxes	Taxes based on the payroll of a business. Employers must pay four taxes on employee earnings—social security, medicare, federal unemployment, and state unemployment taxes
2	1c	Federal Unemployment Tax	A federal tax used for state and federal administrative expenses of the unemployment program

2	1c	State Unemployment Tax	A state tax used to pay benefits to unemployed workers
2	1d	Payroll Register	A business form used to record payroll information
2	1d	Employee earnings Record	A business form used to record details affecting payments made to an employee
3	1	Business Transactions	An activity that causes the assets, liabilities or equity of a business to change
3	1a	Source Documents	A business paper from which information is obtained for a journal entry
3	1a	Purchase Invoice	An invoice used as a source document for recording a purchase on account
3	1a	Sales Invoice	An invoice used as a source document for recording a sale on account
3	1a	Check	A business form ordering a bank to pay cash from a bank account
3	1	Memorandum	A form on which a brief message is written describing a transaction
3	1a	Debit Memo.	A form prepared by the customer showing the price deduction taken by the customer for returns and allowances
3	1a	Credit Memo.	A form prepared by the vendor showing the amount deducted for returns and allowances
3	1a	Receipt	A business form giving written acknowledgement for cash received
3	1a	Register/Terminal Summary Tape	A source document for daily sales
3	2/3	Journalize	Record transactions in a journal
3	2/3	Post	Transfer information from a journal to a ledger account
3	2a	Merchandise	Goods that a merchandising business purchases to sell
3	2a	Purchase on Account	A transaction in which the merchandise purchased is to be paid for later
3	2c	Purchase Return	Credit allowed for the purchase price of returned merchandise, resulting in a decrease in the customer's account payable
3	2d	Purchase Discount	A cash discount on purchases taken by a customer
3	2d	Trade Discount	A reduction in the list price granted to customers
3	2d	Vendor	A business from which merchandise is purchased or supplies or other assets are bought
3	2f/3f	Subsidiary Ledger	A ledger that is summarized in a single general ledger account
3	2f	Schedule of Accounts Payable	A listing of vendor accounts, account balances, and total amount due all vendors
3	3a	Cash Sale	A sale in which cash is received for the total amount of the sale at the time of the transaction
3	3a	Sales Tax	A tax on a sale of merchandise
3	3a	Sale on Account	A sale for which cash will be received at a later date

3	3c	Sales Return	Credit allowed a customer for the sales price of returned merchandise, resulting in a decrease in the vendor's accounts receivable
3	3d	Sales Discount	A cash discount on sales
3	3d	Customer	A person or business to whom merchandise or services are sold.
3	3f	Schedule of Accounts Receivable	A listing of customer accounts, account balances, and total amounts due from all customers
4	1	Uncollectible Accounts/ Bad Debts/ Doubtful Accounts	Accounts receivable that cannot be collected
4	1b	Direct Writing off of an Account	Canceling the balance of a customer account because the customer does not pay
4	1b	Allowance method for recording uncollectible accounts	Crediting the estimated value of uncollectible accounts to a contra account
4	1b	Contra Account	An account that reduces a related account on a financial statement
5	1	Depreciation Expense	The portion of a plant asset's cost that is transferred to an expense account in each fiscal period during a plant asset's useful life
		Plant Asset	Assets that will be used for a number of years in the operation of a business
5	1b	Straight-line method of depreciation	Charging an equal amount of depreciation expense for a plant asset in each year of useful life
5	1e	Book Value of Plant Asset	The original cost of a plant asset minus accumulated depreciation
6	1a	Trial Balance	A proof of the equality of debits and credits in a general ledger
6	1b	Adjusting Entries	Journal entries recorded to update general ledger accounts at the end of a fiscal period
6	1c	Adjusted Trial Balance	A proof of the equality of debits and credits in a general ledger after the adjusting entries
6	2	Income Statement	A financial statement showing the revenue and expenses for a fiscal period
6	2a	Net Sales	Total sales less sales discount and sales returns and allowances
6	2a	Merchandise Inventory	The amount of goods on hand for sale to customers
6	2a	Cost of Goods/ Merchandise Sold	The price a business pays for goods it purchases to sell
6	2a	Gross Profit on Sales	The revenue remaining after cost of merchandise sold has been deducted
6	2a	Total Expenses	The sum of all expenses
6	2a	Net Income	The difference between total revenue and total expenses when total revenue is greater
6	2a	Net Loss	The difference between total revenue and total expenses when total expenses are greater

6	2b	Statement of Stockholders' Equity	A financial statement that shows changes in a corporation's ownership for a fiscal period
6	2b	Stockholder	An owner of one or more shares of a corporation
6	2b	Retained Earnings	An amount earned by a corporation and not yet distributed to stockholders
6	2b	Dividends	Earnings distributed to stockholders
6	2b	Share of Stock	Each unit of ownership in a corporation
6	2b	Capital Stock	Total shares of ownership in a corporation
6	2b	Par Value	A value assigned to a share of stock and printed on the stock certificate
6	2d	Balance Sheet	A financial statement that reports assets, liabilities, and owner's equity on a specific date
6	2e	Ratio	A comparison between two items of financial information
7	1	Closing Entries	Journal Entries used to prepare temporary accounts for a new fiscal period
7	1	Temporary Accounts	Accounts used to accumulate information until it is transferred to the owner's capital account
7	1	Income Summary	A temporary account used to summarize the closing entries for revenue and expenses
7	2	Post-Closing Trial Balance	A trial balance prepared after the closing entries are posted
8	1	FIFO Inventory Costing Method (First In, First Out)	Using the price of merchandise purchased first to calculate the cost of merchandise sold first
8	1	LIFO Inventory Costing Method (Last In, First Out)	Using the price of merchandise purchased last to calculate the cost of merchandise sold first.
8	1	Weighted Average Method for Ending Inventory	Using the average cost of beginning inventory plus merchandise purchased during a fiscal period to calculate the cost of merchandise sold